

WORKPLACE TRENDS FOR 2023

JANUARY 2023
INSIGHTS FORUM:
EXECUTIVE SUMMARY



SIRM[®] EXECUTIVE
NETWORK

The January EN:Insights Forum gave Executive Network (EN) members a sneak peek at the 2023 SHRM State of the Workplace Report.

This annual report, based on a survey of 1,793 HR professionals, 276 HR executives and 585 non-HR U.S. employees in November 2022, looks at HR challenges and accomplishments during 2022, as well as what HR can expect to face during 2023.

According to the findings presented to the forum by Mark Smith, Ph.D., director of HR thought leadership forum for SHRM Research:

What has changed in the past year?

- COVID-19 is less likely to be seen as an ongoing crisis.
- Inflation concerns have increased.
- Low employee engagement is a growing concern.

What has stayed the same?

- Labor shortages are still a key challenge.
- Compensation is important for both new hires and current employees.

What is emerging as an important issue?

- Mental health in the workplace is a concern for many groups.



“

Last year at this time, everything COVID-related was at the top of the priority list for organizations,” Smith said. “We’re not really expecting that to be the focus of our concern again for 2023. On the other hand, inflation was on the radar screen last year, and it’s one of the top concerns this year. And then there’s low engagement among employees, which was another thing that was a top concern last year but is continuing and seems like it’s gotten even a bit worse.

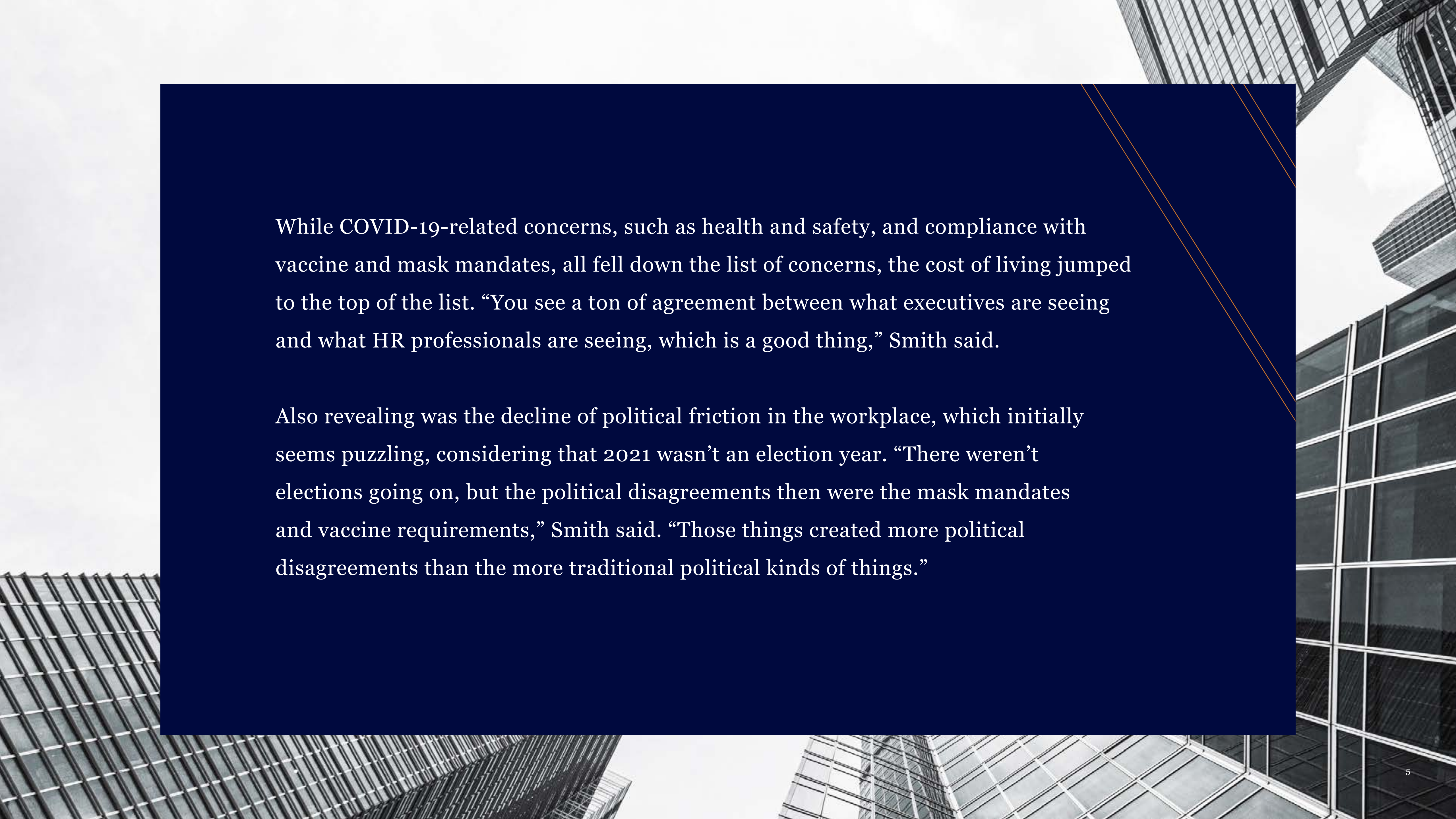
MARK SMITH, PH.D.
DIRECTOR OF HR THOUGHT LEADERSHIP FOR SHRM RESEARCH

”



You and your staff (or you and your boss) are on the same page: When it came to looking back at the issues and concerns HR departments faced during 2022, HR executives and HR staffers were all mostly in accord. **(One caveat to this data:** In 2021, workplace survey researchers talked to HR professionals but didn't single out HR executives, which means the changes in concerns from last year's survey are available only for HR professionals.)

2022 EXTERNAL CHALLENGES	HR PROFESSIONALS WHO AGREE (+/- OVER LAST YEAR)	HR EXECUTIVES WHO AGREE
1. Inflation concerns	86% (+13)	87%
2. Labor shortages	80% (-4)	82%
3. Mental health concerns	72% (NA)	73%
4. Economic slowdown concerns	64% (NA)	64%
5. Supply chain issues	59% (-3)	58%
6. Legal/compliance concerns (e.g., vaccine mandate)	49% (-33)	53%
7. Health and safety concerns	44% (-35)	41%
8. Diversity, equity and inclusion (DE&I) concerns	46% (+3)	39%
9. Political issues (e.g., disagreements)	36% (-11)	35%



While COVID-19-related concerns, such as health and safety, and compliance with vaccine and mask mandates, all fell down the list of concerns, the cost of living jumped to the top of the list. “You see a ton of agreement between what executives are seeing and what HR professionals are seeing, which is a good thing,” Smith said.

Also revealing was the decline of political friction in the workplace, which initially seems puzzling, considering that 2021 wasn’t an election year. “There weren’t elections going on, but the political disagreements then were the mask mandates and vaccine requirements,” Smith said. “Those things created more political disagreements than the more traditional political kinds of things.”

What worked in 2022 (and what didn't): “There were 25 things on the list of questions, and these are the top four things that went well last year,” Smith said. “If you ask HR folks what went well last year, one thing they’ll say is, ‘providing our folks with fair compensation.’ But that was compensation for newly hired employees. We had a separate question for current employees, and that was much further down the list. So, providing good compensation for newly hired folks, that went pretty well. But for current folks, not so much.”

AREAS OF SUCCESS FOR 2022	% OF HR EXECUTIVES WHO SAY THEIR DEPARTMENT IS EFFECTIVE IN THIS AREA	% OF HR PROFESSIONALS WHO SAY THEIR DEPARTMENT IS EFFECTIVE IN THIS AREA
Providing good health care coverage	72%	64%
Navigating COVID-19’s continued impact on our workforce and safety practices	71%	66%
Providing fair compensation for newly hired employees	69%	56%
Managing a partially or fully remote workforce	61%	53%

“Then we asked: ‘What were the greatest challenges to finding talent?’ And it’s the labor shortage, the lack of qualified candidates,” Smith said. “It seems like some people in the labor pool disappeared post-COVID, and they still haven’t fully come back. That was the primary talent concern, along with compensation, workforce flexibility and the lack of clear paths to career advancement. Those were the biggest challenges to finding talent.”

Smith added: “HR professionals and executives agreed on the top four talent challenges, but executives cited fewer challenges.”

BIGGEST 2022 TALENT CHALLENGES	% OF HR EXECUTIVES WHO AGREE	% OF HR PROFESSIONALS WHO AGREE
1. Lack of qualified candidates	64%	69%
2. Uncompetitive compensation	32%	48%
3. Limited workplace flexibility	26%	30%
4. Lack of advancement paths	16%	25%

A disconnect on job satisfaction: When it comes to their attitudes toward the company they work for, HR executives and HR professionals revealed they were quite a bit happier on the job than the human resources they manage, with HR executives being the most positive. The data for HR professionals and employees also indicates the change from the 2021 survey, with HR professionals showing improved attitudes while some aspects of employee sentiment declined.

STATEMENT	% OF HR EXECUTIVES WHO AGREE	% OF HR PROFESSIONALS WHO AGREE (+/- OVER LAST YEAR)	% OF EMPLOYEES WHO AGREE (+/- OVER LAST YEAR)
I'd recommend my organization to others as a great place to work	84%	76% (+4)	46% (-7)
Excited to go to work due to the positive workplace atmosphere	74%	63% (+7)	44% (+3)

But a number of people are still job hunting. Despite their more positive outlook than other employees, both HR executives and HR professionals are looking to make a move at about the same rates as other employees.

I'm actively searching for another job	16%	19% (+1)	24% (+3)
I intend to pursue a job in another organization in 2023	20%	24% (+3)	26% (NA)

“There are really massive differences on the employee attitude side, where you see very good results from HR but much more moderate results on the non-HR side,” Smith said. “But when you ask about turnover intent, you see a little bit of this trend, but not near the magnitude that you’re seeing on the employee attitude side.”



Inflation is still a factor—and plans for a slowdown in the economy are too: “Two-thirds of HR executives said they are factoring in inflation in determining the pay raise pool for their organization, and the vast majority said it’s less than 7%, which is a pretty conservative estimate for the final 2022 annual inflation level right now,” Smith said. “Most raises were in the range of 3% to 5%, which again, is not 7%. But it’s not the 2% to 3% that raises have traditionally been. So, pay is going up but not reaching the rate of inflation. As for an expectation of an economic slowdown for 2023, a fair amount of people said that if there is a slowdown, then a hiring freeze would be the first thing that happens. After that stage, you’ll start to see things like reducing bonuses and so on.”

ORGANIZATIONAL PLANS FOR 2022	% OF HR EXECUTIVES WHO AGREE	% OF HR PROFESSIONALS WHO AGREE
Train people managers on their roles in supporting talent management strategy	82%	78%
Improve people managers’ soft skills	76%	76%
Increase employee headcount	65%	74%
Specifically recruit from more diverse and/or underutilized talent pools	62%	65%

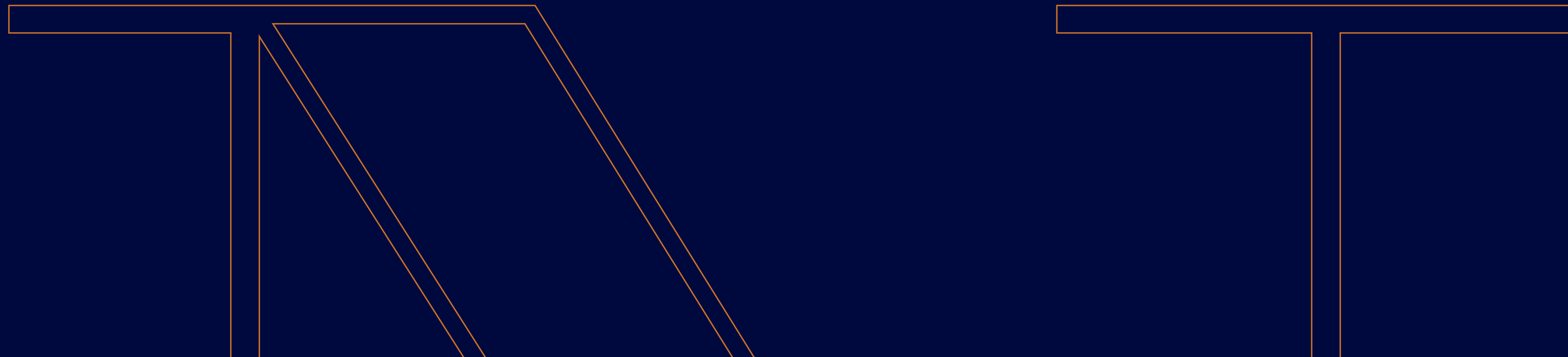
WHAT SHOULD
HR EXECUTIVES
FOCUS ON
IN THE YEAR
TO COME?





We did want to include some recommendations as a result of what we're seeing," Smith concluded. "We should definitely focus on employee engagement. That still needs to be the focus for HR, specifically employee engagement through people managers. Employees are leaving for various reasons, but many of the reasons have to do with their manager or with the culture, which usually flows through the people manager."

"Employee engagement needs to be a focus of the HR department. Equipping people managers to get better engagement from their team should be a top concern," said Smith.





Employee compensation is another crucial issue. Inflation has and is affecting your employees. Virtually everything is more expensive than a year ago,” he adds. “Understand that low pay increases to current team members are not sufficient for keeping them in the organization.”

Finally, mental health for employees has always been important, and the pandemic has made it worse. Only recently has it attracted as much attention from organizations as it warrants. Make sure that resources (e.g., an EAP) are available to your employees.



LOOKING AHEAD WITH DAVID LANGDON

The new SHRM workplace research reinforces trends he sees in the workplace, said this month's forum guest speaker, David Langdon, senior policy advisor at the U.S. Department of Commerce.



This research is fascinating, and it raises a lot of really interesting questions to me,”

Langdon said. “It reinforces a lot of trends that we’re seeing in the economy, particularly talent challenges and how retention and job quality play into that. A lot of the issues that are raised here are things the federal government is putting under the umbrella of job quality, whether that’s compensation, even mental health issues, providing workers a voice or just addressing job security and how you’re recruiting people and onboarding them.”

Employers may be wary of layoffs after COVID-19:

“I was curious about the low percentage of companies where HR people said they would implement layoffs if there’s an economic downturn (which I don’t think there will be),” Langdon said. “I wonder how much of that is a result of the pandemic and the fact that so many companies laid off workers in certain sectors very quickly, and then had trouble bouncing back.”

The fact that so many organizations seem reticent to resort to layoffs in an economic slump could be a result of just how tight the labor market is now, Langdon added.

“How much of that reflects the fact that employers are unable to fill slots right now and really would need to keep hiring even through a potential economic downturn,” he said. “It’s sort of like the opposite of a ‘jobless recovery.’ Would it be possible in our current conditions to have a recession where you would actually still have employment growth?”

USING DIVERSITY INITIATIVES TO INCREASE THE SUPPLY OF SKILLED LABOR:

“There are labor shortages, and we’ve heard going back during multiple expansions and multiple recessions about different types of challenges that companies have hiring workers. Even in the midst of the last two recessions, we’ve heard this from CEOs,” Langdon said.

“The unemployment rate’s extremely low right now and the labor force participation rate, the share of people who are either working or looking for work, is also relatively low,” he added.

“But for certain populations, there’s high unemployment among African Americans, people with relatively low educational attainment, the disabled, and a bunch of different groups where we have low labor force participation and a high unemployment rate. These are people who, with certain supports, are really poised to enter the economy.”

He continued: “The idea of labor shortages is, ‘Is it hard for companies to hire workers using their traditional methods and traditional practices?’ Yes. But, ‘Is there a lack of workers out there that could be made ready for jobs either because of additional training or specific support services?’ I think yes, as well.”





Creating diverse hiring practices goes beyond simply finding workers to fill empty slots, Langdon said.

“The focus we’ve seen in recent years in DEIA is a recognition by companies that it’s actually important to the bottom line. There are outside studies we’ve cited in our department showing that companies that are more diverse are more productive, so there’s a business case for DEIA, as well. I think it all sort of ties together, and it was surprising me to see it highlighted in this report. I think it really matters.”

HYBRID AND REMOTE WORK HERE TO STAY BUT WILL ENGAGEMENT SUFFER?

“From the perspective of the federal government as a major employer, and as much as government can be criticized for the provision of services, there was no criticism of the federal government’s ability to deliver services during the pandemic,” Langdon said.

“Things did not break down, patents were issued, statistical data were released, you name it,” he said. “The view of employees is that they’ve proven their ability to work remotely in many situations where maybe their bosses wouldn’t have been comfortable with it in the past. They don’t want to give this up. It’s a job quality issue.”

As for what that means to workplace cohesion, “I do wonder what it means for employees’ long-term loyalty to their organizations and how to build a loyal workforce with people that you probably actually never met and spent time with.” Langdon said. “I think there’s a lot of potentially interesting implications for what this means for the nature of work.”



HOW WILL THE RECENTLY PASSED INFRASTRUCTURE BILL AFFECT THE ECONOMY?

The Bipartisan Infrastructure Law provides a total of \$1.5 billion during the next five years to spur economic development and shore up the domestic supply chain. As a result, “there will be a multiple number of long-term investments in the economy being made that are really, really important improvements and corrections to many of the issues that we’re facing,” Langdon said. “But the reality is these investments are being made on top of a hot and tight labor market.”

Because efforts such as expanding broadband access and microchip manufacturing will demand skilled workers, training programs need to be part of those infrastructure projects.

“That’s an allowable use of the funds, because it would be an abject failure for the administration to put money out there and literally not be able to fulfill the priorities that Congress and the president funded because of a lack of workers,” he added.

SKILLS-BASED HIRING COULD HELP THE LABOR MARKET:

One way to ease the worker shortage would be to cut down the laundry list of educational and other superfluous requirements employers include in job postings.

“Get rid of education requirements and embrace skills-based hiring,” Langdon said. “Just to show how important this is, it’s something the federal government itself is trying to implement. There was a Trump administration executive order to implement skills-based hiring, and it’s the rare executive order from that administration that’s not just been continued, but doubled down on by the Biden administration to task all agencies to implement skills-based hiring and remove unnecessary career requirements.”

He added: “That’s something that we’re working on implementing right now. IBM’s probably the poster child for recognizing that you can identify the workers with the right skills without requiring a college education. It broadens the potential labor pool, and it’s great for the long term for success of our economy. I think it’s really good. Using unnecessary screening mechanisms are reducing the ability to hire people, including in the federal government.”

IF INFLATION KEEPS FALLING, WILL HIRING GET EASIER?

“No, I don’t think so. Not at all,” Langdon said. “Real wages are going down. It’s the reality that we see in these SHRM survey results, and it reinforces what we’re seeing from the public data on the economy.”

He added: “I think lower inflation will help with people’s feelings around the economy. But in terms of the actual labor market and hiring, I’m not convinced.”



